

**EUREKA CITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**EUREKA CITY**  
**TABLE OF CONTENTS**

Independent Auditor's Report .....	Page 1	
Management's Discussion and Analysis .....	2-7	
<b><u>Basic Financial Statements</u></b>		
Government-Wide Financial Statements		
Statement of Net Assets .....	8	
Statement of Activities .....	9	
Fund Financial Statements		
Governmental Funds		
Balance Sheet .....	10	
Reconciliation of Balance Sheet to Statement of Net Assets ..	11	
Statement of Revenues, Expenditures and Changes in Fund Balances .....	12	
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities.....	13	
Proprietary Funds		
Statement of Net Assets .....	14	
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	15	
Statement of Cash Flows .....	16	
Notes to the Financial Statements .....	17-33	
<b><u>Required Supplementary Information</u></b>		
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual .....	34	
<b><u>Other Reports</u></b>		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with <i>Government Auditing Standards</i> .....		35
Independent Auditor's Report on Legal Compliance with Applicable Utah State Laws and Regulations .....		36-37

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

RANDEL A HEATON, CPA  
LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
BEN H. PROBST, CPA  
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA  
ROBERT PHELPS, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
Eureka City  
Eureka, UT

December 15, 2006

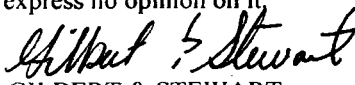
We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Eureka City, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Eureka City's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position, of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Eureka City, as of June 30, 2006, and the respective changes in financial position and cash flows where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2006 on our consideration of Eureka City's internal control structure over financial reporting and on our test of its compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
GILBERT & STEWART  
Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Eureka City, we offer readers of Eureka City's financial statements this narrative overview and analysis of the financial activities of Eureka City for the fiscal year ended June 30, 2006.

### Financial Highlights

- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$87,626. Of this amount \$5,750 is reserved and must only be spent on projects for which the money is reserved. The remaining \$81,876 is unreserved in the General Fund.
- The total net assets of the Governmental Activities of \$1,041,539 are made up of \$818,152 capital assets net of related debt and \$223,387 in other net assets.
- In the Enterprise (Proprietary) Funds operating revenues increased by \$51,170. Corresponding operating expenses decreased by \$10,602.

### Reporting the City as a Whole

This discussion and analysis is intended to serve as an introduction to Eureka City's basic financial statements. Eureka City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

***The government-wide financial statements*** are designed to provide readers with a broad overview of Eureka City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Eureka City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Eureka City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Eureka City that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 8 & 9 of this report.

## **Reporting the City's Most Significant Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Eureka City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The governmental fund financial statements can be found on pages 10-13 of this report.

The major governmental funds (as determined by generally accepted accounting principles) is the General Fund.

- **Proprietary funds** – Eureka City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Eureka City uses enterprise funds to account for its Water Utility, Sewer Utility, and Sanitation Utility.
- The basic proprietary fund financial statements can be found on pages 14-16 of this report.

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Eureka City, assets exceed liabilities by \$2,256,835.

One of the largest portions of Eureka City's net assets (78%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and other assets	\$ 278,939	\$ 166,948	\$ 267,789	\$ 338,239	\$ 546,728	\$ 505,187
Capital Assets	942,928	965,017	1,748,463	1,774,218	2,691,391	2,739,235
Total Assets	<u>1,221,867</u>	<u>1,131,965</u>	<u>2,016,252</u>	<u>2,112,457</u>	<u>3,238,119</u>	<u>3,244,422</u>
<b>Liabilities</b>						
Long-term debt outstanding	180,328		741,844	791,716	922,172	791,716
Other liabilities		53,592	59,112	74,974	59,112	128,566
Total Liabilities	<u>180,328</u>	<u>53,592</u>	<u>800,956</u>	<u>866,690</u>	<u>981,284</u>	<u>920,282</u>
<b>Net Assets</b>						
Invested in capital assets						
net of related debt	818,152	965,017	951,265	927,148	1,769,417	1,892,165
Restricted	5,750	3,972			5,750	3,972
Unrestricted	217,637	109,384	234,031	318,619	451,668	428,003
Total net assets	<u>\$ 1,041,539</u>	<u>\$ 1,078,373</u>	<u>\$ 1,185,296</u>	<u>\$ 1,245,767</u>	<u>\$ 2,226,835</u>	<u>\$ 2,324,140</u>

*(The balance of this page is intentionally left blank.)*

**The following table summarizes the City's change in net assets.**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 30,485	\$ 23,562	\$ 236,761	\$ 185,591	\$ 267,246	\$ 209,153
Operating Grants & Contrib.	14,778				14,778	
Capital Grants & Contrib.	42,419	70,676			42,419	70,676
<b>General Revenues:</b>						
Property Taxes	49,896	54,652			49,896	54,652
Sales and Use Tax	67,308	62,034			67,308	62,034
Franchise Tax	10,832	11,411			10,832	11,411
Other Taxes	3,637	987			3,637	987
Unrestricted Investmt. Earn.	3,231	2,141	5,581	2,486	8,812	4,627
<b>Total Revenues</b>	<b>222,586</b>	<b>225,463</b>	<b>242,342</b>	<b>188,077</b>	<b>464,928</b>	<b>413,540</b>
<b>Expenses:</b>						
General Government	107,540	95,136			107,540	95,136
Public Safety	9,577	11,008			9,577	11,008
Public Works	89,118	105,063			89,118	105,063
Community Development	22,012	15,132			22,012	15,132
Planning	1,173	655			1,173	655
Water Utility			149,051	156,863		156,863
Sewer Utility			97,581	102,849		102,849
Sanitation Utility			56,181	53,703		53,703
<b>Total Expenses</b>	<b>229,420</b>	<b>226,994</b>	<b>302,813</b>	<b>313,415</b>	<b>229,420</b>	<b>540,409</b>
<b>Increase (Decr) in Net Assets</b>						
before Transfers	(6,834)	(1,531)	(60,471)	(125,338)	(67,305)	(126,869)
Transfers	(30,000)		30,000		-	-
<b>Net Assets - Beginning</b>	<b>1,078,373</b>	<b>1,079,904</b>	<b>1,245,767</b>	<b>1,371,105</b>	<b>2,324,140</b>	<b>2,451,009</b>
<b>Net Assets - Ending</b>	<b>\$ 1,041,539</b>	<b>\$ 1,078,373</b>	<b>\$ 1,215,296</b>	<b>\$ 1,245,767</b>	<b>\$ 2,256,835</b>	<b>\$ 2,324,140</b>

**Business-type activities.** Business-type activities decreased the City's net assets by \$(30,471). As of the end of the current fiscal year, two of the three business-type funds reported positive net assets.

**Financial Analysis of the Government's Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$81,876, while total fund balance reached \$87,626. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39% of total general fund expenditures, while total fund balance represents 42% of that same amount.

The City maintains enterprise funds to account for the business-type activities of the City. The information is found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the combined Enterprise funds at the end of the year amounted to \$264,031. The value of capital assets net of related debt in these same funds is \$951,265. As mentioned in the financial highlights, operational revenues and expenditures in the Enterprise funds increased during the current fiscal year.

### General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was adopted by the City council with budgeted revenues of \$210,710 and budgeted expenditures of \$218,320. During the year the City amended their budget for transfer from the general fund to the sanitation fund of \$30,000 to reduce the negative net asset balance.

### Capital Assets and Debt Administration

**Capital Assets.** Eureka City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$2,691,391 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

#### Eureka City's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 118,000	\$ 118,000	\$ 5,000	\$ 5,000	\$ 123,000	\$ 123,000
Water Rights			36,997	36,997	36,997	36,997
Buildings	164,745	159,345			164,745	159,345
Improvements	4,031	4,365	1,687,107		1,691,138	4,365
Equipment	16,363	23,957	19,359	1,732,221	35,722	1,756,178
Infrastructure	639,789	659,350			639,789	659,350
Total Capital Assets	<u>\$ 942,928</u>	<u>\$ 965,017</u>	<u>\$ 1,748,463</u>	<u>\$ 1,774,218</u>	<u>\$ 2,691,391</u>	<u>\$ 2,739,235</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.



**Long-term debt.** At the end of the current year, the City had total bonded debt outstanding of \$791,717, secured solely by specific revenue (enterprise) sources (i.e., revenue bonds).

### **Eureka City's Outstanding Debt**

#### **Revenue Bonds**

	<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>
Business-type Activities		
Water Bond Payable 2003A	\$311,000	\$325,000
Water Bond Payable 2003B	318,000	335,000
Water Loan Payable	14,000	18,000
Sewer Loan Payable	<u>148,717</u>	<u>163,588</u>
Total Outstanding Debt	<u>\$791,717</u>	<u>\$841,588</u>

The City's total outstanding debt decreased by \$49,871 during Fiscal Year 2006. This was a result of the required debt service payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$497,644, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allow for an additional 8% to be used for water, sewer, or other revenue bond projects thus resulting in a debt limit of 12% of total taxable value. Total limitation is \$1,589,918, which again significantly exceeds the outstanding debt.

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

#### **Economic Factors and Next Year's Budgets and Rates**

- The General Fund budget for the fiscal year-ending June 30, 2007 reflects an increase of 11% over the final fiscal year ending June 30, 2006.

#### **Request For Information**

This financial report is designed to provide a general overview of Eureka City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Eureka City, P.O. Box 156 Eureka City, UT 84628.

## **BASIC FINANCIAL STATEMENTS**

**EUREKA CITY**  
Statement of Net Assets  
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 80,231	\$ 242,228	\$ 322,459
Receivables:			
Accounts ( Net of allowance)		25,561	25,561
Taxes	64,968		64,968
Intergovernmental	8,964		8,964
Other Assets	124,776		124,776
Capital assets (net of accumulated depreciation):			
Land	118,000	5,000	123,000
Water Rights		36,997	36,997
Buildings	164,745		164,745
Improvements	4,031		4,031
Equipment and Systems	16,363	1,706,466	1,722,829
Infrastructure	639,789		639,789
Total assets	<u>1,221,867</u>	<u>2,016,252</u>	<u>3,238,119</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	16,149	4,365	20,514
Other Liabilities	124,776		124,776
Deposits	2,458		2,458
Deferred revenue	36,945		36,945
Bond interest payable		4,875	4,875
Long Term Liabilities			
Due Within One Year		49,872	49,872
Due in More Than One Year		741,844	741,844
Total liabilities	<u>180,328</u>	<u>800,956</u>	<u>981,284</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	818,152	951,265	1,769,417
Restricted			
C Roads	5,750		5,750
Unrestricted	217,637	264,031	481,668
Total net assets	<u>\$ 1,041,539</u>	<u>\$ 1,215,296</u>	<u>\$ 2,256,835</u>

*See accompanying notes to the financial statements.*

# EUREKA CITY

## Statement of Activities

For the Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Rev & Chgs in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Business-type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 107,540	\$ 22,926	\$ 14,778	\$ (69,836)	\$ -	\$ (69,836)
Public safety	9,577			(9,577)		(9,577)
Public Works	89,118		42,419	(46,699)		(46,699)
Community Development	22,012	7,559		(14,453)		(14,453)
Planning	1,173			(1,173)		(1,173)
Total governmental activities	229,420	30,485	42,419	(141,738)	-	(141,738)
<b>Business-type activities:</b>						
Water	149,051	139,817		(9,234)		(9,234)
Sewer	97,581	46,046		(51,535)		(51,535)
Garbage	56,181	50,898		(5,283)		(5,283)
Total business-type activities	302,813	236,761	0	(66,052)		(66,052)
<b>Total primary government</b>	<b>\$ 532,233</b>	<b>\$ 267,246</b>	<b>\$ 42,419</b>	<b>\$ (141,738)</b>	<b>\$ (66,052)</b>	<b>\$ (207,790)</b>
<b>General revenues:</b>						
Property taxes				\$ 49,896	\$	\$ 49,896
General sales and use tax				67,308		67,308
Franchise tax				10,832		10,832
Other Taxes				3,637		3,637
Unrestricted investment earnings				3,231	5,581	8,812
Transfers				(30,000)	30,000	
Total general revenues and transfers				104,904	35,581	140,485
Change in net assets				(36,834)	(30,471)	(67,305)
Net assets - beginning				1,078,373	1,245,767	2,324,140
Net assets - ending				\$ 1,041,539	\$ 1,215,296	\$ 2,256,835

See accompanying notes to the financial statements.

**EUREKA CITY**  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 80,231
Taxes Receivable	64,968
Intergovernmental Receivable	8,964
Total assets	<u>\$ 154,163</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable & accrued liabilities	\$ 16,149
Deposits	2,458
Deferred revenue	47,930
Total liabilities	<u>66,537</u>
Fund Balances:	
Fund balances reserved for:	
Roads	5,750
Unreserved	81,876
Total fund balances	<u>87,626</u>
Total liabilities & fund balances	<u>\$ 154,163</u>

*See accompanying notes to the financial statements.*

**EUREKA CITY**  
**Balance Sheet Reconciliation to**  
**Statement of Net Assets**  
**June 30, 2006**

Total fund balances - governmental fund types:	\$ 87,626
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	942,928
Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds	10,985
Net assets of government activities	<u><u>\$ 1,041,539</u></u>

*See accompanying notes to the financial statements.*

**EUREKA CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 131,297
Licenses and permits	9,144
Intergovernmental	48,521
Charges for services	8,499
Fines	2,465
Misc	13,118
Total revenues	<u>213,044</u>
<b>EXPENDITURES</b>	
Current:	
General government	114,941
Public safety	8,827
Public works	60,712
Planning and Zoning	1,173
Community Development	21,678
Total expenditures	<u>207,331</u>
Excess revenues over (under) expenditures	<u>5,713</u>
Other financing sources (uses)	
Sale of Capital Assets	9,768
Transfers Out	<u>(30,000)</u>
Total Other Financing Sources and Uses	<u>(20,232)</u>
Net Change in Fund Balance	(14,519)
Fund balances - beginning of year	<u>102,145</u>
Fund balances - end of year	<u><u>\$ 87,626</u></u>

*See accompanying notes to the financial statements.*

**EUREKA CITY**  
Statement of Changes Reconciliation to  
Statement of Activities  
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (14,519)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements	(226)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>(22,089)</u>
Change in net assets of governmental activities	<u>\$ (36,834)</u>

*See accompanying notes to the financial statements.*



**EUREKA CITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2006

	Business-Type Activities - Enterprise			
	Water	Sewer	Sanitation	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 148,436	\$ 63,792	\$	\$ 212,228
Receivables				
Accounts (Net)	15,489	4,657	5,415	25,561
Due from other funds	33,290			33,290
Total current assets	<u>197,215</u>	<u>68,449</u>	<u>5,415</u>	<u>271,079</u>
Noncurrent assets:				
Capital Assets	1,419,287	1,210,038		2,629,325
Less: Accumulated depreciation	(399,652)	(481,210)		(880,862)
Total noncurrent assets	<u>1,019,635</u>	<u>728,828</u>	<u>-</u>	<u>1,748,463</u>
Total assets	<u>1,216,850</u>	<u>797,277</u>	<u>5,415</u>	<u>2,019,542</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	3,869	456	40	4,365
Bond Interest Payable	4,875			4,875
Due to Other Funds			33,290	33,290
Current Portion of Long-term debt	35,000	14,872		49,872
Total current liabilities	<u>43,744</u>	<u>15,328</u>	<u>33,330</u>	<u>92,402</u>
Noncurrent liabilities:				
Notes Payable	608,000	133,844		741,844
Total noncurrent liabilities	<u>608,000</u>	<u>133,844</u>	<u>-</u>	<u>741,844</u>
Total liabilities	<u>651,744</u>	<u>149,172</u>	<u>33,330</u>	<u>834,246</u>
Net Assets:				
Invested in capital assets, net of related debt	371,153	580,112	-	951,265
Unrestricted	193,953	67,993	(27,915)	234,031
Total net assets	<u>\$ 565,106</u>	<u>\$ 648,105</u>	<u>\$ (27,915)</u>	<u>\$ 1,185,296</u>

*See accompanying notes to the financial statements.*

**EUREKA CITY**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
**Proprietary Funds**  
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Total
<b>Operating revenues:</b>				
Charges for Services	\$ -	\$ 46,046	\$ 50,898	\$ 96,944
Charges for Services Pledged as Security on Revenue Bonds	139,817			139,817
Total operating revenues	139,817	46,046	50,898	236,761
<b>Operating expenses:</b>				
Salaries and wages	33,173	31,381	3,718	68,272
Purchased Services	55,092	26,440	52,463	133,995
Supplies and Materials	17,278	12,984		30,262
Depreciation and Amortization	33,703	26,776		60,479
Miscellaneous	-	-	-	-
Total operating expenses	139,246	97,581	56,181	293,008
Operating income	571	(51,535)	(5,283)	(56,247)
<b>Nonoperating revenues (expenses):</b>				
Interest revenue	711	4,870		5,581
Interest expense and fiscal charges	(9,805)			(9,805)
Total nonoperating revenues (expenses)	(9,094)	4,870	-	(4,224)
Net Income (loss) before Transfers	(8,523)	(46,665)	(5,283)	(60,471)
Contributions and Transfers				
Transfers In			30,000	30,000
Change in net assets	(8,523)	(46,665)	24,717	(30,471)
Total net assets - beginning	573,629	694,770	(22,632)	1,245,767
Total net assets - ending	\$ 565,106	\$ 648,105	\$ 2,085	\$ 1,215,296

*See accompanying notes to the financial statements.*

**EUREKA CITY**  
**Statement of Cash Flows**  
**Proprietary funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Total BTAs
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 143,158	\$ 51,109	\$ 51,280	\$ 245,547
Payments to suppliers	(58,350)	(55,234)	(77,562)	(191,146)
Payments to employees	(33,173)	(31,381)	(3,718)	(68,272)
Net cash provided (used) by operating activities	51,635	(35,506)	(30,000)	(13,871)
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers In	-	-	30,000.00	30,000.00
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	(23,224)	(11,500)		(34,724)
Principal paid on capital debt	(35,000)	(14,872)		(49,872)
Grant proceed repayment				0
Interest paid on capital debt	(10,312)			(10,312)
Net cash provided (used) by capital and related financing activities	(68,536)	(26,372)	-	(94,908)
<b>Cash Flows From Investing Activities</b>				
Interest and dividends received	711	4,870		5,581
Net increase (decrease) in cash and cash equivalents	(16,190)	(57,008)	-	(73,198)
Cash and cash equivalents - beginning	194,626	120,800	-	315,426
Cash and cash equivalents - ending	\$ 178,436	\$ 63,792	\$ -	\$ 242,228
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income	\$ 571	\$ (51,535)	\$ (5,283)	\$ (56,247)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	33,703	26,776		60,479
(Increase) decrease in accounts rec.	(3,341)	211	382	(2,748)
(Increase) decrease in due from other funds	21,495			21,495
Increase (decrease) in accounts payable	(793)	(10,958)	(3,604)	(15,355)
Increase (decrease) in Due to other funds			(21,495)	(21,495)
Total adjustments	51,064	16,029	(24,717)	42,376
Net cash provided (used) by operating activities	\$ 51,635	\$ (35,506)	\$ (30,000)	\$ (13,871)

*See accompanying notes to the financial statements.*

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Eureka City's (the City's) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict the GASB pronouncements. The City applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established by GAAP and used by the City are discussed below.

**Reporting Entity**

City of Eureka is located in Juab County in the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the Mayor and a City Council. The City provides the following services as mandated by law: General Administrative Services, Public Safety, Highways and Public Improvements, Parks, Recreation and Public Property, Water, and Sanitation Services.

**Government Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use directly benefit from goods, services, or privileges, provided by a given function or activity or (2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**Measurement Focus, Basis of Accounting and Presentation**

The government-wide financial statements are reported using the economic resources measurements focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are "measurable, and available"). "Measurable" means the amount of the transaction can be determined and "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Sales taxes, Use taxes, Franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives the cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water, Sewer, and Sanitation Funds*, accounts for the water, sewer, and sanitation activities of the City.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 1 – SUMMARY (Continued)**

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Assets, Liabilities, and Net Assets or Equity**

**A. Cash and Cash Equivalents**

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this criteria.

**B. Restricted Assets**

Cash, which is restricted to a particular use due to statutory, budgetary, or bonding requirements by outside parties, is classified as "restricted cash" on the Financial Statements. Restricted cash would be spent first and then unrestricted would be used when the restricted funds are depleted.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**C. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and structures	30-50
Infrastructure	30-50
Improvements other than buildings	10-40
Machinery and equipment	5-10

**E. Taxes**

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on all business personal property on January 1<sup>st</sup>, and real estate and improvement taxes are levied on January 1<sup>st</sup> and are payable by November 30<sup>th</sup>. The real property taxes which are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

The City Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22<sup>nd</sup> each year. The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**F. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**G. Fund Equity**

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restriction imposed by creditors, grantors or laws or regulations of other governments.

**I. Use of Estimates**

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.



**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between governmental fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$2,139,681
Accumulated Depreciation	<u>(1,196,753)</u>
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$942,928</u>

Long-term assets:

Long-term assets applicable to the City's governmental activities which are not available to pay expenses of the current period are deferred in the fund statements. However in the statement of net assets, the changes were reported as revenue when earned.

Delinquent Property Taxes	<u>\$ 10,985</u>
Net adjustments to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 10,985</u>

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government –wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital Outlay	\$ 34,335
Depreciation Expense	<u>(56,424)</u>
Net adjustment to <i>increase net changes in fund balances-</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u>\$ (22,089)</u>

Another element of that reconciliation states that revenues in the statement of activities that do not provide current financial resources are not reported as revenues and are deferred in the funds. However, in the statement of activities, revenue is reported when earned. Thus the change is to record the earned income in the statement of activities.

Net adjustment to <i>increase net changes in fund balances-</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	
Delinquent Property Taxes	<u>\$(226)</u>

**NOTE 3 - BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 3 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

- A. On or before the first regularly scheduled meeting of the City Council in May, the City clerk, authorized under state statute to be appointed budget officer, submits a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is posted in various locations in the City at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22<sup>nd</sup>, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1<sup>st</sup>.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City clerk, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget using the above procedures.

**NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's carrying amount of deposits was \$322,459, the balance in the City's bank account and the cash on hand was \$356,692 with the difference being due to outstanding checks and deposits in transit.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 4 – CASH (Continued)**

**A. Deposits**

**Deposits – Custodial Credit Risk.** Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City follows the requirements of the Utah Money Management Act in handling its depository and investing transactions. The City considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2006, the City's custodial credit risk for deposits were as follows:

Depository account	Custodial Credit Risk	Balance June 30, 2006
Checking and Savings	Insured and Collateralized	\$ 100,000
Checking and Savings	Uninsured and Uncollateralized	57,688
Certificates of Deposit	Insured and Collateralized	108,387
Certificates of Deposit	Uninsured and Uncollateralized	24,780
Total Deposits		<u>\$ 290,855</u>

**B. Investments**

The City's investments are managed through participation in the State Public Treasurers' Investment Fund and through a trust arrangement with a local bank. As of June 30, 2006 the City had the following investments:

Investments	Investment Maturities (in Years)			
	Less Than 1	1-5	6-10	10
Utah Public Treasurer's Investment Fund	\$ 7,339	\$ -	\$ -	\$ -
Money Market Port CL	58,497			
Total Investments	<u>\$ 65,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Investments – Interest Rate Risk.** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance with the Utah Money Management Act, which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**Investments – Credit Risk.** The City follows the requirements of the Utah Money Management Act in handling its Depository and investing transactions. The City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of Deposits, U.S. Treasury obligations, U.S. agency issues, restricted mutual funds, and obligations of governmental entities within the State of Utah. The City's investments are invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the investments. The degree of risk of the investments depends on the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices.

At June 30, 2006 the City had the following investments and quality ratings:

Investments	Fair Value	AAA	AA	A	Unrated
Utah Public Treasurers Investment Pool	\$ 7,339				\$ 7,339
Money Market Port CL	58,497				58,497
Total Investments	<u>\$ 65,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,836</u>

**Investments Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$65,836 investment in a Mutual Fund, and the Utah State Treasurers Investment Pool, the entire amount of underlying securities are held by the Investment's counterparty, not in the City's name and are not insured. The City's investment arrangements primarily invest in Utah State Treasurers investment pool, obligations of the United States Treasury, agencies, or instrumentalities of the United States that meet the allowable investments of the Utah Money Management Act. The City does not have an investment policy for custodial credit risk.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 5 - RECEIVABLES**

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Receivables:					
Taxes	\$ 64,968				\$ 64,968
Intergovernmental	8,964				8,964
Accounts		34,743	10,446	12,152	57,341
Allowance for Uncollectible					
Accounts		(19,255)	(5,789)	(6,734)	(31,778)
Total Accounts Receivable	<u>\$ 73,932</u>	<u>\$ 15,488</u>	<u>\$ 4,657</u>	<u>\$ 5,418</u>	<u>\$ 99,495</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	<u>\$ 36,945</u>	<u>\$ -</u>

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2006 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water	Sanitation	<u>\$24,785</u>

Interfund balances are created to support temporary cash deficiencies in the applicable funds.

**NOTE 7 – OTHER ASSETS / OTHER LIABILITIES**

The City received land from the Union Pacific Railroad. The land was adjacent to existing property owners. The Railroad Company gave the land to the City with the stipulation that when the adjacent property owner presented a survey showing the portion of land that was adjacent to their property, the City would then deed the land to the citizen. The City has title to the land, however the agreement states that the land can only be given to the adjacent property owners. Therefore, this transaction is treated as an other asset and other liability on the statement of Net Assets.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

<b>Primary Government</b>	<b>Beginning</b>			<b>Ending</b>
<b>Governmental activities:</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital assets not being depreciated:				
Land	\$ 118,000			\$ 118,000
Total capital assets not being depreciated	118,000		0	118,000
Capital assets being depreciated:				
Buildings	268,158	12,173		280,331
Improvements	15,005			15,005
Machinery and equipment	51,871			51,871
Infrastructure	1,652,312	22,162		1,674,474
Total capital assets being depreciated	1,987,346	34,335	0	2,021,681
Less accumulated depreciation for:				
Buildings	108,813	6,773		115,586
Improvements	10,640	334		10,974
Machinery and equipment	27,914	7,594		35,508
Infrastructure	992,962	41,723		1,034,685
Total accumulated depreciation	1,140,329	56,424		1,196,753
Total capital assets, being depreciated, net	847,017	(22,089)		824,928
Governmental activities capital assets, net	\$ 965,017	\$ (22,089)	\$ -	\$ 942,928
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in Progress	\$ -		\$ -	\$ -
Land	5,000			5,000
Water Rights	36,997			36,997
Total capital assets not being depreciated	41,997	0	0	41,997
Capital assets being depreciated:				
Buildings				0
Improvements	2,527,605	23,224		2,550,829
Machinery and equipment	25,000	11,500		36,500
Total capital assets being depreciated	2,552,605	34,724	0	2,587,329
Less accumulated depreciation for:				
Buildings				0
Improvements	809,225	54,497		863,722
Machinery and equipment	11,159	5,982		17,141
Total accumulated depreciation	820,384	60,479		880,863
Total capital assets, being depreciated, net	1,732,221	(25,755)		1,706,466
Business-type activities capital assets, net	\$ 1,774,218	\$ (25,755)	\$ -	\$ 1,748,463

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 8 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 4,772
Public Safety	750
Public Works	50,568
Community Development	334
Total depreciation expense Governmental Activities	<u>\$ 56,424</u>
Business-type Activities	
Water	\$ 33,703
Sewer	26,776
Total depreciation expense Business-type Activities	<u>\$ 60,479</u>

**NOTE 9 - LAND DEPOSIT**

The City is in the process of purchasing land, which it intends to resale to certain citizens. The City has not yet purchased the land. The citizens have prepaid \$2,458 toward the purchase price.

**NOTE 10 - LONG-TERM DEBT**

Business Type Activities	<u>6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2006</u>	<u>Due in one year</u>
Water Bond Payable 2003A	\$ 325,000	\$ -	\$ 14,000	\$ 311,000	\$ 14,000
Water Bond Payable 2003B	335,000		17,000	318,000	17,000
Water Loan Payable	18,000		4,000	14,000	4,000
Sewer Loan Payable	163,588		14,871	148,717	14,872
Total	<u>\$ 841,588</u>	<u>\$ -</u>	<u>\$ 49,871</u>	<u>\$ 791,717</u>	<u>\$ 49,872</u>

Long-term debt consists of the following:

- A) Note payable to Farmers Home Administration in annual payments of \$4,000 per year to 2007, \$5,000 per year to 2009, plus 5% interest. Debt Service requirements to maturity are:



**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 10 - LONG-TERM DEBT (Continued)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4,000	700	4,700
2008	5,000	500	5,500
2009	5,000	250	5,250
	<u>\$ 14,000</u>	<u>\$ 1,450</u>	<u>\$ 15,450</u>

B) Non-interest bearing indebtedness payable to the State of Utah in annual installments of \$14,872 per year beginning July 1, 1987 through July 1, 2016. Debt Service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	14,872	-	14,872
2008	14,872	-	14,872
2009	14,872	-	14,872
2010	14,872	-	14,872
2011	14,872	-	14,872
2012-2016	74,357	-	74,357
	<u>\$ 148,717</u>	<u>\$ -</u>	<u>\$ 133,845</u>

C) Non-interest bearing note payable to the Permanent Community Impact Fund Board in annual installments beginning August 1, 2004 through August 1, 2023. Debt Service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	17,000	-	17,000
2008	17,000	-	17,000
2009	17,000	-	17,000
2010	17,000	-	17,000
2011	17,000	-	17,000
2012-2016	89,000	-	89,000
2017-2021	90,000	-	90,000
2022-2025	54,000	-	54,000
	<u>\$ 318,000</u>	<u>\$ -</u>	<u>\$ 318,000</u>

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 10 - LONG-TERM DEBT (Continued)**

D) \$352,000 Parity Water Revenue Bond Series 2002A. This bond requires annual installments of principal and interest due beginning January 1, 2004 through January 1, 2023, bearing an interest rate of 2.91%. Debt Service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	14,000	9,050	23,050
2008	15,000	8,643	23,643
2009	15,000	8,206	23,206
2010	16,000	7,770	23,770
2011	16,000	7,304	23,304
2012-2016	89,000	29,158	118,158
2017-2021	101,000	15,510	116,510
2022-2025	45,000	1,979	46,979
	<u>\$ 311,000</u>	<u>\$ 87,620</u>	<u>\$ 398,620</u>

Debt Service requirements to maturity for all the City's bonds and notes are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	49,872	9,750	59,622
2008	51,872	9,143	61,015
2009	51,872	8,456	60,328
2010	47,872	7,770	55,642
2011	47,872	7,304	55,176
2012-2016	252,357	29,158	281,515
2017-2021	191,000	15,510	206,510
2022-2025	99,000	1,979	100,979
	<u>\$ 791,717</u>	<u>\$ 89,070</u>	<u>\$ 880,787</u>

**NOTE 11 - RESERVED FUND BALANCES**

Reserved fund balance comprises amounts which the City has designated for specific purposes or are amounts held by committees for which the City has oversight responsibility (Class "C" Road,) Governmental Activities.

<u>General Fund</u>	<u>Amount</u>
Class "C" Roads	\$ 5,750

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 12 - RETIREMENT PLAN**

*Plan Description.* Eureka City Corporation contributes to the Local Governmental Noncontributory Retirement System, which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

*Funding Policy.* In the Local Governmental Noncontributory Retirement System, Eureka City Corporation is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Eureka City Corporation contributions to the Noncontributory Retirement System for June 30, 2006, 2005, and 2004, were \$8,661, \$7,947, and \$6,516, respectively. The contributions were equal to the required contributions for each year.

**NOTE 13 - LITIGATION**

The City is defendant in certain legal actions and pending actions, or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. City management is of the opinion that the final outcome of these matters will not have an adverse material affect on the City's financial statements.

**EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damages, and other losses. A minimal deductible applies to these policies, which the City pays in the event of any loss. The City also has purchased a workers' compensation policy. Losses have not exceeded coverage during the last three years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EUREKA CITY**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual**  
**General Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Totals</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 123,000	\$ 123,000	\$ 131,297	\$ 8,297
Licenses and Permits	7,500	7,500	9,144	1,644
Intergovernmental	70,910	70,910	48,521	(22,389)
Charges for Services	8,100	8,100	10,964	2,864
Miscellaneous	1,200	1,200	13,118	11,918
Total Revenues	<u>210,710</u>	<u>210,710</u>	<u>213,044</u>	<u>2,334</u>
<b>EXPENDITURES</b>				
Current:				
General Government	95,820	95,820	114,941	(19,121)
Public Safety	13,000	13,000	8,827	4,173
Planning and Zoning	5,000	5,000	1,173	3,827
Public Works	76,500	76,500	60,712	15,788
Community Development	28,000	28,000	21,678	6,322
Total Expenditures	<u>218,320</u>	<u>218,320</u>	<u>207,331</u>	<u>10,989</u>
Excess (deficit) of revenues over (under) expenditures	<u>(7,610)</u>	<u>(7,610)</u>	<u>5,713</u>	<u>13,323</u>
Other financing sources (uses)				
Sale of Capital Assets	-	-	9,768	9,768
Transfers Out		(30,000)	(30,000)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>(30,000)</u>	<u>(20,232)</u>	<u>9,768</u>
Net Change in Fund Balance	(7,610)	(67,610)	(14,519)	23,091
Fund balances - beginning	102,145	102,145	102,145	-
Fund balances - ending	<u>\$ 94,535</u>	<u>\$ 34,535</u>	<u>\$ 87,626</u>	<u>\$ 23,091</u>



## **OTHER REPORTS**

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA  
LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
BEN H. PROBST, CPA  
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA  
ROBERT PHELPS, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council  
Eureka City  
Eureka City, Utah

December 15, 2006

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Eureka City as of and for the year ended June 30, 2006, which collectively comprise Eureka City's basic financial statements and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

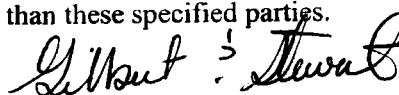
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eureka City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eureka City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, the results of our tests disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter.

This report is intended solely for the information of management, Utah State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
GILBERT & STEWART  
Certified Public Accountants



# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA  
LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
BEN H. PROBST, CPA  
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA  
ROBERT PHELPS, CPA

## INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Honorable Mayor and City Council  
City of Eureka  
Eureka, UT

December 15 2006

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Eureka City for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. As part of our audit, we have audited Eureka City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major state assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements  
Uniform Building Code Standards  
Impact Fees and Other Development Fees  
Asset Forfeitures

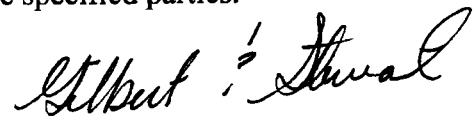
The management of Eureka City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance which is expressed in the following paragraph.

In our opinion, Eureka City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.

This report is intended solely for the information of management and Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART  
*Certified Public Accountants*

**EUREKA CITY**  
**MANAGEMENT LETTER**

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA  
LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
BEN H. PROBST, CPA  
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA  
ROBERT PHELPS, CPA

Eureka City Corporation  
Eureka, Utah

December 15, 2006

We have audited the financial statements of Eureka City Corporation for the year ended June 30, 2006 and have issued our report thereon dated December 15, 2006. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Eureka City Corporation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Eureka City Corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Eureka City Corporation are described in Note 1 to the financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Eureka City Corporation during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Eureka City Corporation's financial reporting process. In our judgment, none of the adjustments we proposed whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Utah State Findings - Current Year

### 2006-1. General Fund Balance

**Finding:** The general fund balance exceeded the maximum limit by \$39,356.

**Recommendation:** We recommend the City make budgetary adjustments to bring the fund balance into compliance.

**City's Response:** We concur with the auditor's recommendations.

### 2006-2. Budgetary Compliance

**Finding:** Utah State Law prohibits the City from incurring expenditures in excess of those budgeted. We noted the City had expenditures in excess of appropriations as follows:

General Government	\$19,121
--------------------	----------

**Recommendation:** We recommend that the City monitor and make adjustments via a public hearing during and at the end of the year to adjust budgets to be in compliance with state law.

**City's Response:** We concur with auditor's recommendations and will make the necessary adjustments to be in compliance with state law.

## Utah State Findings - Prior Year

### 2005-1. Fund Balances

**Finding:** The City had a deficit fund balance in the following fund:

Garbage Fund	\$22,632
--------------	----------

**Recommendation:** We recommend that the City make appropriations in the budget to bring the above fund balance into compliance. We recommend either raising rates in the garbage fund to overcome the deficit, or make a budgeted transfer to cover the deficit in that fund.

**City's Response:** The City is now in compliance.

### 2005-2. General Fund Balance

**Finding:** The general fund balance exceeded the maximum limit by \$60,245

**Recommendation:** We recommend the City make budgetary adjustments to bring the fund balance into compliance.

**City's Response:** See current year findings 2006-1.

2005-3 Budgetary Compliance

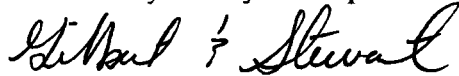
**Finding:** Utah State Law prohibits the City from incurring expenditures in excess of those budgeted. We noted the City had expenditures in excess of appropriations as follows:

General Government	\$897
Public Works	\$29,741

**Recommendation:** We recommend that the City monitor and make adjustments via a public hearing during and at the end of the year to adjust budgets to be in compliance with state law.

**Current Status:** See Current year finding 2006-2.

If you have any questions about the above information, please call. We thank you for your cooperation during our audit.

  
GILBERT & STEWART  
Certified Public Accountants



# Eureka City Corporation

P. O. Box 156  
15 North Church Street  
Eureka, Utah 84628  
Phone: 435-433-6915  
Fax: 435-433-6891  
Email: eureka15@cut.net

September 24, 2007

State of Utah  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
P. O. Box 142310  
Salt Lake City, Utah 84114-2310

RE: Corrective Action Plan for 2006 Financial Report

First of all, I would like to apologize for the delay in sending this letter of corrective action report. It was my understanding that this matter had been taken care of.

Upon completion of our 2006 Audit, and after reading the recommendations of our Auditors, the Mayor and Council approved a change in our sanitation department's fees as follows:

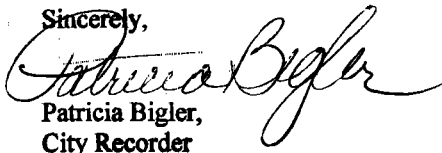
- In 2006, Residential Garbage Rate was raised \$1.00 per month per household.
- In January 2007, The Council raised our fee to residents who use the roll-off bins in our trash collection yard, where residents can take bulky waste, yard waste, etc., they approved a charge of \$15.00 per pickup load for the roll-off bins.

It was determined that our shortfall is a result our Trash Collection Yard. Prior to 2007, residents paying for regular garbage pickup received 6 free trips to use the roll off bins, after 6, then each load would cost \$15.00. Due to the residents not using all of their free passes, we did not have any of the residents contributing to the sanitation fund for this service. It was because of this the Council made the decision in January, 2007 to no longer allow any free passes and that each load would be charged \$15.00.

The Eureka City Mayor, Allen Hortt Carter and the City Council will continue to monitor the situation with the sanitation department and make adjustments where necessary for this service. During the last several years, Eureka City has had to increase both their water and sewer rates significantly due to upgrades in their system, making any increase in other fees hard on the residents. So as not to create a hardship on the residents, the Council wanted to try a gradual increase over several years to try and resolve this issue with the garbage. Should the shortfall continue with the Trash Collection Yard, it may become necessary to discontinue this service to the residents as Eureka City will not be able to support it, which is very unfortunate. Since the implementation of the \$15.00 fee, we are already seeing garbage that has been dumped illegally in and around the mountains near Eureka creating a tremendous eyesore. We are hoping to have this issue resolved by December 2007.

If you have any further questions concerning this issue, you may contact the Mayor, Allen Hortt Carter or myself, and we will be glad to answer your questions.

Sincerely,

  
Patricia Bigler,  
City Recorder